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SUBJECT: RWANDA MONTHLY ECONOMIC REVIEW

(SBU) This edition of the monthly economic roundup includes:
-- Regional Security: Kenyan Violence Affects Rwandan Gas Prices
-- Commercial News:
-Rwandan Stock Market Launched
-Tourism is Large Foreign Currency Earner in 2007
-New Immigration Forms to Capture Tourism Trends
-Tea Revenue Expected to Rise in 2008
-Cold Room at Airport Gives Boost to Horticulture Exports
-- Donor Support for Energy: Belgium and EU Award Major Energy Grants
-- Macro Economic Indicators: Higher Tax Revenues Projected for 2008

REGIONAL SECURITY:

[12.](#) (SBU) Kenyan Crisis & Gas Prices: In the wake of the contested Kenyan elections and continuing violence, the Government of Rwanda (GOR) twice increased gas prices, most recently from USD 1.10 to USD 1.30 per liter. The Commerce Minister initially told businesses and consumers that the situation in Kenya would not require increased prices. As shortages continued, however, the government imposed modest increases. Rwanda has imported one million liters of fuel in the last three weeks (escorted through the most violent areas of Kenya) while needing approximately 130,000 liters of fuel per day. Rationing in the immediate aftermath of the election was lifted within a week as supplies arrived from Kenya and Tanzania (the government placed an order for 45 million liters of fuel from Dar es Salaam). (Note: the government subsidizes 60 percent of the cost of fuel imports and has sole authority to set pump prices. Eighty percent of Rwanda's dry goods also arrive through Kenya; transport routes through neighboring Tanzania are longer and more expensive).

COMMERCIAL NEWS

[13.](#) (SBU) Stock Market Launch: The Rwanda Over the Counter Stock Market (ROTCM) was launched by President Paul Kagame on January 31. ROTCM will offer two debt securities to the public, a 20 billion Rwandan franc treasury bond from the Central Bank (BNR) issued with a maturity of two years and an interest rate of eight percent, and a Rwanda Commercial Bank (BCR) five-year corporate bond at nine percent. The Capital Market Advisory Council (CMAC), a government body [}10Q&Q1Q/"Q7Q](#) ROTCM, but officials have expressed a desire for privatization of the market once it matures.

[14.](#) (SBU) Tourism: The tourism industry became the top foreign currency earner in 2007, overtaking coffee and tea. Almost 40,000 tourists visited Rwanda last year, spending over USD 42.7 million; coffee and tea earned USD 35.7 million and USD 31.5 million respectively. The Rwanda Office of Tourism and National Parks (ORTPN) credits the increased revenue to new hotels, an increased number of flights from abroad, and the acceptance of Visa and Master Cards by area businesses.

[15.](#) (SBU) The Immigration Department, in collaboration with ORTPN, introduced new arrival and departure forms. The new system will improve the collection and reporting of tourism

statistics and assist in better documentation of tourism's role in the national economy.

16. (SBU) Tea Revenue: According to the Director General of Ocir-The (the Rwanda government tea authority), tea exports will generate USD 38 million in 2008. He expects to export Qwill generate USD 38 million in 2008. He expects to export 20,000 tons of tea as a result of privatization and the restructuring of Ocir-The. The Rwanda tea sector has a total of twelve thousand hectares (close to thirty thousand acres) of tea plantations, of which 70 percent are owned and operated by growers' cooperatives. Concerns were raised when the tea auction in Mombasa was suspended for a week in early January, as about 70 percent of all Ocir-The tea is sold at the weekly auction. If the ongoing political turmoil in Kenya leads to a prolonged suspension of the auction, there could be a significant impact on Rwandan tea revenue.

17. (SBU) Horticulture: With the construction of a cold room at Kigali Airport with Dutch funds, horticulture exports are expected to significantly increase. Prior to the construction of the new facility, only roses, apples, bananas and Dracaena Ornamental plants could be shipped. The new cold room now allows passion fruit, snow peas, pineapples, Japanese plums and geranium oil (an essential oil for perfumes) to be added to the list of exportable products. Peter Muvara, Chairman of Rwanda Horticulture Task Force, said the country currently exports three to ten metric tons of horticulture products a week; the cold room increases capacity to thirty metric tons of perishable products. Horticulture exports earned USD 0.7m in 2005 and USD 2.5m in 2006. These figures are expected to increase significantly for 2007 and 2008.

DONOR SUPPORT FOR ENERGY

18. (SBU) Belgium Aid: On December 19, 2007, the Belgium Ambassador signed an agreement providing a grant of USD 34,007,352 to the GOR. The grant will be used to develop horticulture and construct two micro-hydro power plants of thirty kilovolt (KV) and two Mega Watt (MW) in the North and West provinces respectively.

19. (SBU) EU Aid: The European Union (EU) announced it would help fund a five-year energy plan focused on bringing electricity to remote rural areas. The project is expected to cost around USD 25.4 million. The EU will contribute a grant of USD 14.6 million, with the balance covered by the GOR. The project envisions the construction of micro-hydro electricity plants at various sites to power roughly 15,000 households. New solar energy systems will bring electricity to over 350 of the nation's rural institutions such as health centers, schools and government offices throughout 150 of Rwanda's 416 sectors.

MACRO ECONOMIC INDICATORS

10. (SBU) Tax Revenues: The Rwanda Revenue Authority (RRA) has set a target of close to USD 490 million in taxes for 2008, 6.3 percent higher than last year's collections. The Commissioner General expects the increase to come from increased efficiency and reforms in the tax collection system, including increased tax collections from the informal business sector and reduction of tax evasion by tax payers generally. However, this revenue projection may now be unattainable given the adverse impact the situation in Kenya has had on transportation routes and the import and export of various goods.

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